

# Business Incentives

Businesses locating and expanding in Utah may be eligible for incentives from the state and/or local municipality. The following is a summary of these programs.

## STATE OF UTAH INCENTIVES

### **Discretionary Grants from the Industrial Assistance Fund (IAF)**

Companies expanding or relocating in Utah may apply for incentive grants from the State of Utah's Industrial Assistance Fund (IAF). IAF is a discretionary fund allocated by the state legislature to help encourage business growth in Utah. IAF was created in 1991 and is currently assisting over 30 companies. The board meets on the third Friday of each month to review and approve applications. Applications submitted by the first Friday of each month will be considered.

IAF grants are approved based on a company's proposal, but are awarded in yearly increments based on the company's performance. The length of the grant is usually three years. The IAF board considers job creation, capital investment, and competition when approving grants. The IAF board is generally responsive in a range of \$1,000 to \$3,000 per new job.

There are three types of IAF grants available to companies that meet the following qualifications:

#### ***Urban***

- Locating in Salt Lake, Utah, Weber, or Davis County.
- Creating jobs that pay at least 125 percent of the county median wage.
- Creating at least 50 new jobs.
- Focusing in biomedical, finance, technology, or aerospace industry or a corporate headquarters.

#### ***Rural***

- Locating outside of the urban counties mentioned above.
- Creating jobs that pay at least 100 percent of the county median wage.
- Creating ANY number of new jobs.

#### ***Corporate***

- Relocating to Utah from out of state.
- Utah is competing with other states for the company's business.

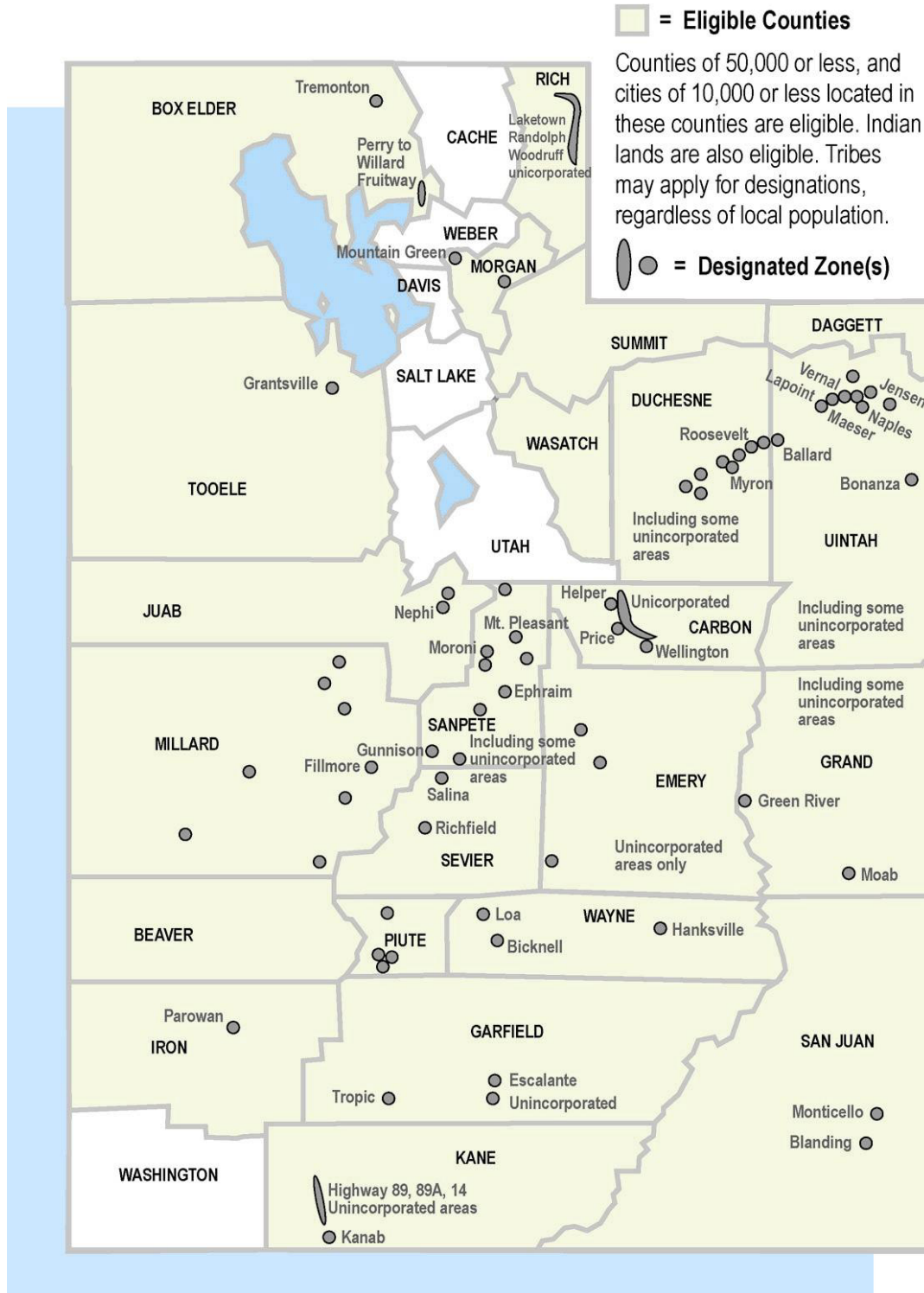
#### ***Example***

Cadence ([www.cadence.com](http://www.cadence.com)) is an electronic design automation firm with headquarters in San Jose. In 2002, the State of Utah granted Cadence over \$1.2 million in discretionary funds to open a high-tech office in Sandy, Utah.

Cadence made a capital investment into an existing building, and plans to employ nearly 400 people over five years. In the first year, Cadence created 40 jobs and consequently received about 10 percent of its IAF grant. Cadence will receive more as they hire more people.

## Enterprise Zone Tax Credits

Companies locating or expanding in Utah Enterprise Zones may be eligible for credits on state income tax. The following counties are designated Utah Enterprise Zones:



### **Utah Enterprise Zones**

All businesses are eligible for tax credits *except* construction, retail businesses, and public utilities. Eligible businesses locating or expanding to Enterprise Zones may receive the following corporate income tax credits:

- \$750 tax credit for each new full-time position filled for at least six months during the tax year.
- An additional \$500 tax credit if the new position pays at least 125 percent of the county average monthly wage for the respective industry (determined by the Utah Department of Employment Security). In the event this information is not available for the respective industry, the position must pay at least 125 percent of the total average monthly wage in the county.
- An additional \$750 tax credit if the new position is in a business that adds value to agricultural commodities through manufacturing or processing.
- An additional \$200 tax credit, for two consecutive years, for each new employee insured under an employer sponsored health insurance program if the employer pays at least 50 percent of the premium.
- A tax credit (not to exceed \$100,000) of 50 percent of the value of a cash contribution to a 501(c)(3) private nonprofit corporation engaged primarily in community and economic development, and is accredited by the Utah Rural Development Council.
- A tax credit of 25 percent of the first \$200,000 spent on rehabilitating a building which has been vacant for at least two years, and which is located within an enterprise zone.
- An annual investment tax credit of 10 percent of the first \$250,000 in investment, and 5 percent of the next \$1,000,000 qualifying investment in plant, equipment, or other depreciable property.

### **Custom Fit Training Incentives**

The Custom Fit Training program subsidizes up to \$500 per employee for professional training. The maximum subsidy is \$100,000 per company.

Training may be conducted at Salt Lake Community College campuses, Applied Technology Centers, or the business location. Instructors may be educators from Utah institutions, private sector consultants, or industry specialists.

For companies with salaried in-house instructors, Custom Fit Training dollars may be used for materials and facilities rentals. The Custom Fit program generally does not cover the cost of instructor travel.

The Short Term Intensive Training Program (STIT) is also a state-funded training incentive program. If an employer uses third-party instructors to train new employees, STIT may offer a substantial subsidy. The employer may pay as little as \$1 per training hour per employee while STIT subsidizes the balance.

### **Film Production Incentives**

Companies considering Utah for film production may apply for up to a 10 percent tax rebate from the State of Utah. Films with Utah storylines or content may be eligible for up to a 12 percent rebate.

### **Recycling Zones**

More than twenty Utah communities have been designated by the State of Utah as Recycling Market Development Zones. Businesses that collect, process, distribute, or use recycled materials in their manufacturing process can earn economic incentives by locating in these zones or by applying for the creation of a new zone. Incentives may include:

- 5 percent state tax credit on machinery and equipment.
- 20 percent state tax credit (up to \$2,000) on eligible operating expenses.
- Technical assistance from state recycling economic development professionals.
- Various local incentives including zoning assistance, discounted business license fees, etc.

### **Research Tax Credits**

Companies doing qualified research in Utah are eligible for income tax credits of up to 6 percent of qualified research expenses. Qualified research expenses include:

- The purchase price of machinery and equipment primarily used for conducting qualified research in Utah, provided the equipment is not exempt from sales or use taxes.
- Wages paid to employees engaging in qualified research.
- Computers, computer equipment, and software.

### **Sales Tax Exemption for Manufacturing Equipment**

Manufacturers (SIC 2000-3999) are exempt from sales tax on the purchase of new equipment for Utah plant start-up. Replacement manufacturing equipment purchases are also exempt from sales tax.

### **Utah Aerospace and Aviation Tax Increment Financing (AATIF)**

The Utah Aerospace and Aviation Tax Increment Financing (AATIF) program was created in 2003 to encourage the growth of the aerospace and aviation manufacturing industry in Utah. Companies creating new aerospace and aviation manufacturing jobs in Utah may apply for a partial rebate on state revenues. Eligible projects must be at or around airports that have:

- Instrumental landing system
- Manned air traffic control tower
- Land available for commercial development

## **LOCAL INCENTIVES**

### **Tax Increment Financing**

Cities and counties may award incentives to companies locating in Economic Development Agency or Redevelopment Agency (EDA/RDA) districts. EDA/RDA districts are determined at the city or county level.

- EDA's are Greenfield sites that have never been developed.
- RDA's are Brownfield sites earmarked for redevelopment.

Incentives are awarded as a percentage of the tax increment created by the development. When a company builds a new building, its "tax increment" is 100 percent of the assessed value of the building multiplied by the property tax rate. In Salt Lake County, the property tax rate is 1.4 percent. For example, a new \$1 million building would have an annual tax bill of \$14,000 in Salt Lake County. \$14,000 would be the annual "tax increment."

An eight-member voting approval board is appointed for each EDA/RDA district. Each board has two members from the city, two from the county, two representatives from the local school board, one representative from the state school board, and one ex-officio, non-voting member representing the remaining local taxing agencies.

Tax increment dollars are returned to the developer/owner in the form of infrastructure development, land cost write down, or other appropriate means. Here are some recent success stories from office projects in the EDA/RDA program:

#### ***South Jordan, Utah – May 2001***

Riverpark Business Park was awarded 85 percent of the tax increment over 15 years, with 20 percent to Affordable Housing. Total estimated tax increment over 15 years is \$19,006,861.

#### ***Riverton, Utah – October 1998***

Intel Corporation was awarded 100 percent of the tax increment over 15 years, with 20 percent to Affordable Housing. Total estimated tax increment over 15 years is \$20,158,121.

#### ***Salt Lake County, Utah – October 1997***

The Cottonwood Corporate Center business park was awarded 100 percent of the tax increment over 12 years, with 15 percent to Affordable Housing. Total estimated tax increment over 12 years is \$7,324,626.

#### **Revolving Loan Funds**

Small businesses locating or expanding within Salt Lake City or Salt Lake County may be eligible for Revolving Loan Funds.

- A start-up business can borrow up to \$100,000 based upon securing the loan and contributing an amount equal to the City's loan amount.
- A business established for three or more years can also borrow up to \$100,000 contingent upon securing the loan, or obtain a loan greater than \$100,000 by providing a 2-to-1 ratio of private financing to City funds.

Terms are generally prime rate or prime-plus-two-percent for five to seven years. Loans can be extended up to twenty years for construction or land acquisition.

#### **OTHER AVAILABLE INCENTIVES**

- Utah has one **Foreign Trade Zone** located in the International Center, an industrial/business park near the Salt Lake City International Airport. This zone operates outside the U.S. Customs Department's territory, allowing duties on imported goods to be deferred until they leave the zone.
- Utah's **Freeport Law** enacted in 1988 exempts inventory or other personal property held for sale from property taxation. Please see Utah Code Section 59-2-12-1.
- **Industrial Revenue Bonds** are available and issued through local government entities. There is a \$10 million cap per issue, with a \$150 million total annual state allocation cap.
- **The Economic Development Corporation of Utah** can arrange **Relocation Assistance** through our diverse investor base. This assistance can include discounts on mortgage points, moving and storage rates, realtor fees, etc.